

STATE OF NEBRASKA



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Changes to the Nebraska Monthly Fuel Tax Return, Form 73

Legislation passed during the 2004 Legislative Session will result in significant changes regarding both how motor fuels are taxed and how those taxes are remitted. **These changes are effective January 1, 2005.** The following synopsis is intended to familiarize you with these changes. When necessary, more detailed information will be provided on specific topics. If you have any questions, please do not hesitate to contact our Taxpayer's Assistance at 800-554-3835 or your Account Representative.

Reporting Changes:

Ethanol (E-100) will have the same point of taxation as all other motor fuels. Currently ethanol is not taxed until it is blended with gasoline. You will report your monthly receipts and disbursements of ethanol on the appropriate schedules.

Biodiesel (B-100) will have the same point of taxation as undyed diesel. You will report your monthly receipts and disbursements of biodiesel on the appropriate schedules. Gallons of biodiesel that are blended with dyed diesel will be reported on the Form 73 in order to exempt the biodiesel component from the motor fuels tax.

Producers of ethanol and biodiesel will no longer file a Form 73. Instead, their activity will be reported on a new reporting form, the Nebraska Ethanol and Biodiesel Producer's Return, Form 83. Any motor fuels tax and PRF fees will be reported and submitted on that form.

Compressed fuels can now be reported on the consolidated Form 73; however, those gallons will not be reported on the schedules of receipts or disbursements. Only those taxable gallons which are placed in the supply tank of a licensed motor vehicle or sold for use in a motor vehicle will be reported.

Consolidated Reporting:

These changes will allow us to consolidate the reporting of all motor fuels (gasoline, gasohol, ethanol, diesel, biodiesel, aircraft fuels, and compressed fuels) into one reporting format. In addition, because the point at which the Petroleum Release Remedial Action Fee (PRF) is imposed changes to mirror that of the motor fuel tax, the former PRF return (Form 82) will be eliminated thereby allowing the PRF fees to be reported with other motor fuel taxes on this format. Although the imposition of the PRF fee will be at the same point as the motor fuel tax, the exemptions are not the same. In addition to consolidating the reporting of these various taxes and fees, this new report will provide for the submission of one payment to cover all liabilities.

Petroleum Release Remedial Action Fee (PRF) Changes:

With the exception of compressed fuels, the Petroleum Release Remedial Action Fee (PRF) will generally be imposed at the same point as the motor fuel tax. Currently PRF is imposed on the owner of the fuel as it enters the state thereby often resulting in PRF liabilities attaching separate from the motor fuel tax.

Ethanol and biodiesel will be subject to PRF at the same point as other fuels.

While dyed diesel is not subject to the motor fuels tax, it remains subject to PRF and will be imposed at the same point as the motor fuels tax. This will result in all dyed diesel being reported on the appropriate receipts or disbursements schedules for purposes of determining the total PRF liability.

When you sell dyed diesel to licensed distributors or wholesalers, you may report the receipt and disbursement to your customer, who will then report the receipt on their return and be responsible for remitting the PRF, OR you may choose to report the receipt of dyed diesel and remit the PRF on those gallons.

There are two other instances when fuel tax is not due, but the PRF is: (1) sales to Native Americans as reported on Schedule Code 10, and (2) gallons disbursed tax free pursuant to a Form 91EX.

Undyed kerosene is subject to the motor fuels tax and PRF when the gallons are sold or used in a taxable manner or blended with undyed diesel. Undyed and dyed kerosene are subject to PRF when gallons are blended with dyed diesel.

Bulk oil products (motor oils, lubricants, etc.) imported into the state will no longer be subject to PRF. Those persons currently licensed to remit PRF solely on this category of lubricants will be allowed to cancel their PRF license.

Nebraska Retailer's Claim for Exempt Sales of Motor Fuels, Form RC73:

Since many of the distinctions between gasoline and diesel fuels will be eliminated, we will also change the manner by which retailers request reimbursement of the motor fuels tax when they make exempt sales of tax-paid gasoline or diesel. A new form, Nebraska Retailer's Claim for Exempt Sales of Motor Fuels, Form RC73, has been developed for this purpose. Retailers will complete and submit this form to their suppliers who will flow the appropriate credit back to them. Suppliers will recover their credit by reporting these sales as either a Schedule Code 13C (exempt sales to the U.S. Government) or Schedule Code 13J (exempt sales per Form 91EX) on their appropriate return. This form is available on our Web site.

Floor Stocks Tax:

Due to the change in the manner in which both ethanol and biodiesel are taxed (upon receipt as opposed to when blended), it becomes necessary to address the tax status of the December 31, 2004 non-terminal inventory.

Ethanol (E-100):

The Schedule E which is currently a part of the Form 73, will be eliminated. Because your December 31, 2004 inventory of ethanol will be tax-free, the non-terminal inventory must become tax-paid to bring it into compliance. If you complete Schedule E and show an ending inventory of ethanol, you will receive a Nebraska Floor Stocks Tax Return, Form 96. This return will allow you to determine the amount of tax due on this inventory. If you choose, you may defer payment of that tax until June 30, 2005. If you do not currently complete the Schedule E, this change will not affect you.

Currently, ethanol (E-100) is not subject to the Petroleum Release Remedial Action Fee. However, effective January 1, 2005, ethanol is subject to this fee. In order to bring your 2004 ethanol inventory into compliance with this change, you must report your December 31, 2004 ending inventory of ethanol (E-100) on line 1 of your December 2004 Petroleum Release Remedial Action Fee Return, Form 82.

Biodiesel (B-100):

Currently, biodiesel remains tax-free until such time as it is blended with undyed diesel. Because biodiesel will be defined the same as diesel beginning January 1, 2005, it will be taxed upon receipt instead of when blended. In order to bring the tax status of this biodiesel into compliance with the 2005 law and allow it to flow through the new Form 73, it is necessary that it become tax paid. Anyone with an inventory of biodiesel on December 31, 2004, should report that inventory as a tax-free receipt (Schedule Code 2) on their December 2004 Motor Fuel Tax Return. This will result in their having a tax-paid inventory for January 2005. If the biodiesel is subsequently blended with dyed diesel, credit is allowed on the Form 73.

Facsimile of Nebraska Monthly Fuel Tax Return, Form 73:

Although the Form 73 is only available in an electronic (EDI) format, we have included a facsimile of the return and supporting schedules. Detailed mapping instructions for this return are contained in the 2005 EDI Implementation Guide located on our Web site at: www.revenue.state.ne.us/fuels/software05/develop05.htm.

Nebraska Monthly Fuel Tax Return

FORM 73

| Taxpayer Name | | FEIN | | NE ID Number | | | | Tax Period | |
|--|--|----------------------------------|--------------------------------|------------------------------|-------------------------------|------------------|--|----------------------|----------------------|
| | | (A) | (B) | (C) | (D) | (E) | (F) | (G) | (H) |
| | | Gasoline/ Gasohol/ Ethanol | Undyed Diesel/ Biodiesel | Dyed Diesel/ Biodiesel | Undyed or Dyed Kerosene | Propane (LPG) | Compressed Natural Gas (CNG) or Other | Aviation Gasoline | Aviation Jet Fuel |
| I. RECEIPTS (Gross Gallons) | | | | | | | | | |
| 1. Tax-Paid Gallons, total of MFR Sch. Code 1 | | | | | | | | | |
| 2. Tax-Free Gallons (without PRRF), total of MFR Sch. Codes 2 & 3 | | | | | | | | | |
| II. DISBURSEMENTS (Gross Gallons) | | | | | | | | | |
| 3. Tax-Paid Gallons, total of MFD Sch. Code 5 | | | | | | | | | |
| 4. Other Gallons Disbursed Tax-Paid, Used in a Taxable Manner, or Blended with Undyed Diesel | | | | | | | | | |
| 5. Gallons of Biodiesel or Kerosene Blended with Dyed Diesel | | | | | | | | | |
| 6. Tax-free Gallons (without PRRF), total of MFD Sch. Codes 6, 7 & 8 | | | | | | | | | |
| 7. Tax-Free Gallons Sold to Native Americans, total of MFD Sch. Code 10 | | | | | | | | | |
| 8. Gallons Disbursed Tax-Free Pursuant to a Form 91EX | | | | | | | | | |
| 9. Credit gallons supported by MFD Sch Code 13C and 13J | | | | | | | | | |
| III. TAX COMPUTATION | | | | | | | | | |
| 10. Gallons Subject to Tax: Columns A, B, G & H (line 2 minus lines 5, 6, 7, 8 & 9) Column D (line 3 plus line 4) Columns E & F (from line 4) | | 0 | 0 | | 0 | 0 | 0 | 0 | 0 |
| 11. Tax Rate | | 0.248 | 0.248 | | 0.248 | 0.248 | 0.248 | 0.050 | 0.030 |
| 12. Gross Tax Due by Fuel Type (line 10 multiplied by line 11) | | \$0 | \$0 | | \$0 | \$0 | \$0 | \$0 | \$0 |
| 13. Gross Tax Due for Motor Vehicle Fuels (Line 12, Column A); Diesel Fuel (Line 12, Total of Columns B & D); Compressed Fuel (Line 12, Total of Columns E & F); & Aircraft Fuels (Line 12, Total of Columns G & H) | | \$0 | \$0 | | | \$0 | | \$0 | |
| 14. Commissions Allowed: Columns A & G (.0500 on first \$5,000 PLUS .0250 on excess over \$5,000) Column B & E (.0200 on first \$5,000 PLUS .0050 on excess over \$5,000) | | \$0 | \$0 | | | \$0 | | \$0 | |
| 15. Net Tax Due (line 13 minus line 14) | | \$0 | \$0 | | | \$0 | | \$0 | |
| IV. PETROLEUM RELEASE REMEDIAL ACTION FEE | | | | | | | | | |
| 16. Gallons Subject to Fee: Columns A, B, D, G & H (line 10 plus lines 5, 7, 8 & 9) Column C (line 2 minus line 6) | | 0 | 0 | 0 | 0 | | | 0 | 0 |
| 17. Fee Rate | | 0.009 | 0.003 | 0.003 | 0.003 | | | 0.009 | 0.003 |
| 18. Total Fee Due (line 16 multiplied by line 17) | | \$0 | \$0 | \$0 | \$0 | | | \$0 | \$0 |

| SUMMARY OF MOTOR FUEL TAXES AND FEES DUE | |
|---|------------|
| 19. Net Tax Due – Motor Fuels, Line 15, Columns A and B | \$0 |
| 20. Net Tax Due - Compressed Fuels, Line 15, Column E | \$0 |
| 21. Net Tax Due – Aircraft Fuels, Line 15, Column G | \$0 |
| 22. Petroleum Release Remedial Action Fee, Line 18, Column A through Column H | \$0 |
| 23. Total Taxes and Fees Due (total of lines 19-22) | \$0 |

Nebraska Multiple Schedule of Receipts

FORM 73 MFR[illegible]

Nebraska Multiple Schedule of Disbursements

FORM 73 MFD[illegible]